



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 5/18/2004

GAIN Report Number: TC4008

United Arab Emirates

Tobacco and Products

GCC Ministers Decide to Increase Tobacco Import Duties to 150 Percent

2004

Approved by:

ATO: Michael T. Henney
U.S. Consulate General, Dubai, U.A.E.

Prepared by:

ATO: Hovaguim Kizirian

Report Highlights:

On May 8, the GCC Ministers of Finance reportedly decided to raise the import duty on cigarettes and tobacco products by 50 percent, to 150 percent. The mechanics to enforce the decision with consideration for controls on smuggling and counterfeiting will need to be developed. GCC countries, except Saudi Arabia, are members of the WTO.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Dubai [TC1]
[TC]

GCC Ministers Decide to Increase Import Duty on Tobacco to 150 Percent

On May 9, 2004 the Kuwaiti press reported that during the Gulf Cooperative Council's (GCC) meeting of Finance Ministers on May 8 in Kuwait City, a decision was made to raise the import duty on cigarettes and tobacco products from the current 100 percent up to 150 percent. The press report added that a committee would be formed to determine the mechanics for enforcement of this decision.

Purportedly this action was taken in response to a GCC Ministers of Health recommendation, made in June 2002, to increase the import duty on cigarettes and tobacco products to discourage smoking, specifically young smokers, and thus help to reduce health problems related to smoking.

Some tobacco trade sources believe that the Ministers of Finance decision is only a recommendation and believe that formal adoption would be counter productive as it would lead to greater smuggling and counterfeiting of cigarettes and other tobacco products. Other trade sources believe that this decision would be enforced within the next 6-12 months and that some consumers would react simply by shifting to cheaper brands, not abandoning smoking.

Reportedly during the meeting some officials raised the question of WTO obligations and tariff ceilings. All GCC countries are WTO members, except Saudi Arabia.

In 2003, the GCC imported from the U.S. tobacco and related products valued at \$364 million. This is down from 2000 when total import value topped \$737 million. Year to date import value from the U.S. is slightly lower as compared to the same period a year ago.